

PUBLIC DISCLOSURE

JANUARY 17, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**AVON CO-OPERATIVE BANK
Cert. # 26617**

**1 EAST MAIN STREET
AVON, MA 02332**

**Division of Banks
1000 Washington Street, 10th Floor
Boston, MA 02118**

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **AVON CO-OPERATIVE BANK (or the "Bank")** prepared by the Division, the institution's supervisory agency, as of **January 17, 2012**. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."

An institution in this group demonstrates an adequate record of helping to meet the credit needs of its assessment area, including low- and moderate-income individuals, in a manner consistent with its resources and capabilities.

The CRA rating is based on the following factors:

- The average Loan-To-Deposit ("LTD") ratio is considered adequate at 68.9 percent given the Bank's loan portfolio and the marked growth in deposits
- Residential lending activity within the assessment area needs to improve, as the majority of loans and other lending related activities are outside the institution's assessment area.
- Overall, the distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income)
- Overall, the geographic distribution of home mortgage loans reflects reasonable dispersion throughout the Bank's assessment area based on demographics, aggregate lending and institution's size.
- There were no CRA-related complaints received during the examination period.

PERFORMANCE CONTEXT

Description of Institution

Avon Co-operative Bank is a mutually owned, state chartered institution with its only office located in Avon, Massachusetts. The Bank has a drive-up window and an Automated Teller Machine ("ATM"). The Bank's ATM is connected to the Money Access Service (MAC) network with additional access to NYCE and Cirrus. Banking hours are considered convenient and accessible to the Bank's customers.

As of September 30, 2011, the Bank's assets totaled \$66.7 million of which \$38.3 million, or 57.4 percent, represented total loans. The Bank is primarily a real estate lender with 83.8 percent of its loan portfolio consisting of residential real estate loans. The remaining real estate loan portfolio consists of commercial loans and construction and land development loans with 8.4 percent and 6.5 percent, respectively. The remaining loan portfolio consists of consumer and commercial and industrial loans, each representing less than 1 percent of the total portfolio. The Bank's loan portfolio is summarized below:

Table 1		
Loan Distribution as of September 30, 2011		
Loan Type	Dollar Amount \$(000's)	Percent of Total Loans %
Construction and Land Development	2,508	6.5
Revolving, open-end 1-4 Family Residential	1,598	4.2
1-4 Family Residential (first and second lien)	30,467	79.6
Multi-Family (5 or more) Residential	0	0.0
Commercial Real Estate	3,208	8.4
Total Real Estate Loans	37,781	98.7
Commercial and Industrial	165	0.4
Consumer	351	0.9
Less: Unearned Income	30	0.0
Total Loans	38,267	100.0

Source: FFIEC Report of Condition

Other than the Bank's relatively small asset size and limited staff, there appears to be no significant financial or legal impediments which would limit the Bank's ability to help meet the various credit needs of its assessment area.

The Bank operates in a very competitive market. Local competitors include but are not limited to HarborOne Credit Union, Rockland Trust Company, Randolph Savings Bank, and Crescent Credit Union, as well as representatives of regional and national mortgage companies.

The Bank was last examined for compliance with the CRA by the FDIC on January 30, 2008, resulting in a Satisfactory rating. The last examination conducted by the Division for CRA was conducted as of June 20, 2005 and resulted in a Satisfactory rating.

Description of the Assessment Area

The CRA requires financial institutions to define an assessment area within which its CRA performance will be evaluated. Avon Co-operative Bank has defined the municipalities of Avon, Brockton, Holbrook and Randolph as its assessment area. The towns of Avon, Holbrook, and Randolph are all located in Norfolk County. The City of Brockton is located in Plymouth County. All geographies within the assessment area are in the Boston–Quincy, MA Metropolitan District (MD). The assessment area as currently defined meets the technical requirements of the CRA regulation since it (1) consists of one or more political subdivisions; (2) includes the geographies where the Bank has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the Bank originated a substantial portion of its loans; (3) consists of whole census tracts; (4) does not extend substantially beyond state borders; (5) does not reflect illegal discrimination; and (6) does not arbitrarily exclude low- and moderate-income areas.

To assess the Bank's lending performance, consideration was given to certain demographic data about the assessment area. Table 2 highlights some of the relevant demographic data, and each is briefly discussed below.

Table 2					
Assessment Area Demographic Information					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	29	6.9	34.5	58.6	0.0
Population by Geography	140,495	3.8	34.3	61.9	0.0
Owner-Occupied Housing by Geography	30,961	1.5	22.6	75.9	0.0
Family Distribution by Income Level	34,927	26.6	21.5	24.6	27.3
Distribution of Low and Moderate Income Families throughout AA Geographies	16,799	5.3	42.0	52.7	0.0
Median Family Income		\$52,244	Median Housing Value	\$140,848	
HUD Adjusted Median Family Income for 2010		\$85,200	Unemployment Rate	7.4%	
Households Below Poverty Level		11.8			

(Source: 2000 Census, 2010 HUD updated MFI, 2011 Massachusetts Updated Unemployment Rates)

Geographies

The assessment area has not changed since the previous examination. The area is comprised of 29 census tracts, of which 2 are low-income, 10 are designated as moderate-income, and 17 are designated as middle-income. There are no upper-income census tracts within the assessment area. All of the low- and moderate-income census tracts are located in the City of Brockton.

Population

Based on 2000 U.S. census data, the total population of the assessment area is 140,495 individuals. Of the total population within the assessment area, 3.8 percent reside in low-income tracts, 34.3 percent reside in moderate-income tracts, and 61.9 percent reside in middle-income tracts. Households total 50,793, of which 29.7 percent are low-income, 18.1 percent are moderate-income, 20.5 percent are middle-income, and 31.7 percent are upper income.

Family Distribution

Providing further insight into the demographic composition of the assessment area population is the number of families at each income level. According to the 2000 Census, of the 34,927 families in the assessment area, 26.6 are low-income, 21.5 percent are moderate-income, 24.6 percent are middle-income, and 27.3 percent are upper-income. Additionally, 11.8 percent of the assessment area families are below the poverty level. The US Department of Housing and Urban Development ("HUD") publishes annual estimates of median family income that are adjusted for inflation and other economic events. The HUD adjusted Median Family Income ("MFI") for the assessment area was \$85,200 in 2010.

Housing

Housing units within the assessment area total 52,263, of which 30,961, or 59.2 percent, are owner-occupied, and 20,651, or 39.5 percent, are rental units. Of the owner-occupied units within the assessment area, 1.5 percent are in low-income tracts, 22.6 percent are in moderate-income tracts, and 75.9 percent are in middle-income tracts. A total of 2.9 percent are vacant units.

Unemployment

According to the United States Department of Labor, the November 2011 unemployment rate for Massachusetts was 6.4 percent. The unemployment rate in Norfolk County for November 2011 was 5.5 percent and the unemployment rate in Plymouth County for November 2011 was 6.5 percent. The average unemployment rate of all municipalities included in the assessment area was 7.4 percent.

Competition

Avon Co-operative Bank operates in a competitive market in terms of financial services. The Bank competes for loans with a number of banks, credit unions, and non-depository mortgage lenders that operate in the area. In 2010, 215 lenders reported a total of 4,075 residential mortgage loans originated or purchased within the Bank's assessment area, within which the Bank ranks 30th with a market share of 0.6 percent. Among the more prominent financial institutions competing with Avon Co-operative Bank are Bank of America, Wells Fargo, HarborOne Credit Union, JP Morgan Chase, and Rockland Trust Company.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Small Institution CRA evaluation procedures utilize five performance criteria: Loan-to-Deposit (LTD) ratio, assessment area concentration, lending to borrowers of different incomes (borrower profile), geographic distribution of loans and the Bank's record of taking action in response to CRA complaints.

1. LOAN TO DEPOSIT ANALYSIS

This performance criterion evaluates the proportion of the Bank's deposit base that is reinvested in the form of loans. The analysis was performed using Federal Financial Institution Examination Council (FFIEC) quarterly call report data for the period ending December 31, 2008 through September 30, 2011. The analysis was conducted to determine the extent of the Bank's lending compared to deposits received from its customers.

Avon Co-operative Bank's average LTD ratio for the time period was calculated at 66.9 percent and is considered adequate given the Bank's size, financial condition, and the assessment area credit needs. Over the past 15 quarters, the LTD ratio has increased steadily with a high of 70.9 percent in December 31, 2010 and a low of 54.4 in March 31, 2008.

The most recent LTD ratio was also compared to some similarly situated institutions to assist in forming conclusions about the appropriateness of the Bank's LTD. As displayed in Table 3 below, the Bank's LTD ratio is at a reasonable level.

Table 3		
Net Loan-to-Deposit Ratio Comparison		
Institution	LTD Ratio* (%)	Asset Size * \$(000)
Bank of Easton	65.5	110,730
Canton Co-operative Bank	70.4	100,121
Holbrook Co-operative Bank	72.6	96,357
<i>Avon Co-operative Bank</i>	66.9	66,693

*as of September 30, 2011; Source: Call Report Data

Based on the above, the Bank meets the standards for satisfactory performance for this criterion.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

This performance criterion evaluates whether the Bank is meeting the credit needs within its assessment area. The analysis looks at residential lending during 2010 and 2011. Based upon a review of the home mortgage loan data, less than a majority of the Bank's lending activity occurs in the assessment area. Refer to Table 4 for specific information concerning the distribution of loans inside and outside the assessment area.

Table 4 Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area										
Loan Category or Type	Number of Loans					Dollar Volume (\$000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential 2010										
Home Purchase	4	40.0	6	60.0	10	853	26.2	2,398	73.8	3,251
Refinance	15	51.7	14	48.3	29	2,801	43.4	3,652	56.6	6,453
Home Improvement	5	83.3	1	16.7	6	547	75.2	180	24.8	727
Total	24	53.3	21	46.7	45	4,201	40.3	6,230	59.7	10,431
Residential 2011										
Home Purchase	3	21.4	11	78.6	14	400	8.7	4,175	91.3	4,575
Refinance	8	61.5	5	38.5	13	1,691	59.8	1,136	40.2	2,827
Home Improvement	3	50.0	3	50.0	6	198	18.8	858	81.2	1,056
Total	14	42.4	19	57.6	33	2,289	27.1	6,169	72.9	8,458
Grand Total	38	48.7	40	51.3	78	6,490	34.4	12,399	65.6	18,889

Source: 2010 and 2011 HMDA LARs

As depicted in Table 4, Avon Co-operative Bank originated 48.7 percent by number and 34.4 percent by dollar volume of residential mortgage loans within its assessment area during the evaluation period. In 2010, the Bank originated 24 home mortgage loans totaling approximately \$4.2 million, representing 53.3 percent by number and 40.3 percent by dollar amount, within the Bank's assessment area.

In 2011, there was a decrease in overall lending in both the Bank and within the assessment area. The Bank reported 14 loans totaling approximately \$2.3 million, representing 42.4 percent by number and 27.1 percent by dollar amount, within the Bank's assessment area. The decrease in overall lending has been attributed to the low rate of applications received by the Bank, a reflection of the stress brought on the residential market due to current economic factors. The decrease in lending within the assessment area is also correlated to these factors.

Avon Co-operative Bank does not meet the standards for satisfactory performance as a majority of residential loans are made outside of the assessment area.

3. DISTRIBUTION OF CREDIT AMONG BORROWERS OF DIFFERENT INCOME LEVELS

The distribution of loans predicated by borrower income was reviewed to determine the extent to which the Bank addressed the credit needs of its residents within its assessment area during the review period. The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income).

Low-income is defined by the US Census Bureau as income below 50 percent of the median income level for the MSA. Moderate-income is defined as income between 50 and 79 percent of the median income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of median income.

The Bank's distribution of residential loans by borrowers reported incomes for 2010 was compared to HMDA aggregate data as this is the most current year that aggregate data is available. Additionally, borrower's reported incomes were compared to demographic data. Refer to Table 5 for further information regarding the Bank's performance for this criterion.

Table 5							
Distribution of Residential Loans by Borrower Income							
Borrower Income Level	Family Distribution by Income Level	2010 Bank Lending Data		2010 Aggregate Lending Data		2011 Bank Lending Data	
		#	%	#	%	#	%
Low	26.6	1	4.4	534	16.2	4	30.8
Moderate	21.5	6	26.1	1,261	38.2	4	30.8
Middle	24.6	5	21.7	907	27.5	3	23.1
Upper	27.3	11	47.8	597	18.1	2	15.4
Total	100.0	23	100.0	3,299	100.0	13	100.0

Source: 2000 U.S. Census Data; 2010 and 2011 HMDA LARs; Home Mortgage Aggregate Data 2010. Omits Lending for which income is not available.

In 2010, the Bank originated 4.4 percent of residential loans to low-income borrowers, which is much lower than the aggregate market data and the demographic data for the same category. For moderate-income borrowers in 2010, 26.1 percent of loans were distributed to borrowers within this income category. This is less than the aggregate data for this category; however, it is higher than the demographic data.

In 2011, despite a decrease in the overall lending, the Bank increased its percentage of lending to low- and moderate-income borrowers. For 2011, the Bank lending data exceeded the demographic data as lending increased to 30.8 percent for both low-income and moderate-income borrowers. The residential lending results, specifically the increased percentages to low- and moderate-income borrowers in 2011, exhibit the Bank's commitment to originating loans with borrowers of different income levels throughout the assessment area.

Overall, based on the above information, the loan distribution by borrower income meets the standards of satisfactory performance.

4. GEOGRAPHIC DISTRIBUTION

The geographic distribution of loans was reviewed to assess how well the Bank is addressing the credit needs throughout the assessment area. The geographic distribution of loans reflects reasonable dispersion of residential loans throughout the assessment area based on the area's demographics, aggregate lending, and the institution's size. As stated in the *Performance Context*, there are 29 census tracts in the assessment area, of which 2 are designated as low-income, 10 are designated as moderate-income, and 17 are designated as middle-income. Refer to Table 6 for the distribution of residential loans among the census tract income categories.

Table 6 Distribution of Residential Loans by Census Tract Income							
Census Tract Income Level	% of Total Owner-Occupied Housing Units	2010 Bank Lending Data		2010 Aggregate Lending Data		2011 Bank Lending Data	
		#	%	#	%	#	%
Low	1.5	0	0.0	85	2.10	0	0.0
Moderate	22.6	1	4.2	861	21.25	2	14.3
Middle	75.9	23	95.8	3,105	76.65	12	85.7
Total	100.0	24	100.0	4,051	100.00	14	100.0

Source: U.S. Census (2000), HMDA LAR 2010 and 2011, and Home Mortgage Aggregate Data 2010.

In both 2010 and 2011, the Bank's distribution of originations is concentrated in middle-income census tracts. As well, in 2010 and 2011, the Bank did not originate any loans in low-income census tracts. The 2010 aggregate data shows that 2.1 percent of originations were within low income census tracts. In 2010, the Bank made one loan within a moderate-income census tract which is significantly less than the aggregate lending data and the demographic data. The Bank's 2011 lending data is comparable to 2010.

As previously mentioned, all of the Bank's low- and moderate-income census tracts are located in the City of Brockton. The Bank only has one branch which is located in the Town of Avon and that consists of a single middle-income census tract. Additionally, the City of Brockton has a very competitive market for which a few large institutions control, making it difficult for a smaller institution to break into such a market. However, the Bank has made efforts by joining programs such as the Buy Brockton II Program to further their presence within the City. During the review period, the Bank originated two loans under the program, located in middle- and moderate-income census tracts, respectively.

Overall, based on the above information, including the level of competition, the relatively low level of overall lending by the Bank and the positive trend, the loan distribution by borrower income meets the standards of satisfactory performance.

5. FAIR LENDING POLICIES AND PRACTICES AND RESPONSE TO CRA COMPLAINTS

Based upon the review of the Bank's public comment file and its performance relative to fair lending policies and practices, no violations of the anti-discrimination laws and regulations were identified. A review of the Division's records, as well as the Public File maintained by the Bank pursuant to CRA regulations, disclosed no complaints since the previous examination. The Bank handles all complaints as they are received, delegating to the proper departments as necessary.

Currently, the Bank has 14 full time equivalent employees.

The Bank's loan policy prohibits discrimination against as defined under the Equal Credit Opportunity Act (ECOA) and the Fair Housing Act (FHA). Also included in the Bank's loan policy are procedures for the second review process of denied loan applications.

MINORITY APPLICATION FLOW

A review of residential loan applications was conducted in order to determine the number of HMDA-reportable credit applications the Bank received from minority applicants. Between January 1, 2010 and December 31, 2011, the Bank received a total of 57 residential loan applications from within its assessment area. During the period, 8 credit applications were received from minority applications. Of the total applications received from minority applications, 7 were approved.

The Bank's minority application flow for this period was compared with the racial composition of the assessment area and 2010 aggregate data for all other HMDA reporters within the assessment area. The comparison of data assists in deriving reasonable expectations for the rate of applications the Bank received from minority credit applications.

According to the 2000 Census Data, Avon Co-operative Bank's assessment area contained a population of 140,495 individuals, 37.5 percent of which is representative of various minority groups. Specifically, 16.2 percent of the individuals within the assessment area are identified as Black, 3.9 percent are Asian, 0.3 percent are American Indian, 6.3 percent are Hispanic, and 10.8 percent are defined as other race. The Bank received a lower percentage of applications (13.1 percent) from minority borrowers than that received by the aggregate in 2010 (29.6 percent). The Bank's performance increased slightly in 2011; however, the volume of applications decreased. The Bank's minority application flow is deemed adequate due to the relatively low volume of lending and the lack of a branch network.

APPENDIX – GENERAL DEFINITIONS

GEOGRAPHY TERMS

Census Tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Metropolitan Area (MA): One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

Metropolitan Statistical Area (MSA): One or more metropolitan areas that economic and social ties

HOUSING TERMS

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

INCOME TERMS

Median income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Family Income: Includes the income of all members of a family that are age 15 or older.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

HUD Adjusted Income Data: The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

OTHER TERMS

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks at East Main Street, Avon, MA 02332".

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.